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From: [REDACTED]

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To: [REDACTED]

Cc: [REDACTED]

Bcc:

Subject: RE: TEFRA Question

A partner's outside basis in [REDACTED] is not a partnership item of [REDACTED] as recently confirmed by the Supreme Court in *Woods v. Commissioner*. We can issue an FPAA to [REDACTED] to disallow losses on the grounds that it did not have enough basis in [REDACTED] under section 704(d). [REDACTED] basis in its own assets is its own partnership item. In computing this basis, however, both [REDACTED] and the Service will be bound by the reported partnership items of [REDACTED]. *Roberts v. Commissioner*, 94 T.C. 853, 860. For instance, [REDACTED] will be bound by its capital contributions to [REDACTED] as reflected on its K-1 from [REDACTED] as well as its share of [REDACTED] liabilities, profits and losses. I.R.C. 705.